

NEW APPLICATION ORIGINAL



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

JEFF HATCH-MILLER, Chairman
MARC SPITZER
WILLIAM A. MUNDELL
MIKE GLEASON
KRISTIN K. MAYES

RECEIVED
2005 SEP 22 P 12:08
AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION OF
ARIZONA PUBLIC SERVICE COMPANY FOR
APPROVAL OF TWO NEW EXPERIMENTAL
RESIDENTIAL TIME-OF-USE RATE SCHEDULES,
ET-2 AND ECT-2.

DOCKET NO. E-01345A-05-0674
APPLICATION

Arizona Public Service Company ("APS" or "Company") hereby submits this Application for Approval of two new experimental residential time-of-use ("TOU") rate schedules, ET-2 and ECT-2, pursuant to the Arizona Corporation Commission ("Commission") Decision No. 67744 (April 7, 2005). These rate schedules will eliminate the need to conduct the previous TOU experiment authorized by Decision No. 67744, and thus the Company has attached revised rate schedules ET-1 and ECT-1R that remove references to said TOU experiment. The Company requests that these new and revised rate schedules not become effective until approved by the Commission and therefore, APS waives any requirement that the Commission act to approve, reject, or suspend such schedules within the thirty-day period referenced in A.R.S. Section 40-367. Copies of the new and revised rate schedules are attached as Exhibit A.

I. BACKGROUND

In the Company's recent rate order, Decision 67744, the Commission ordered: "Arizona Public Service Company shall file additional time-of-use programs that are similar to the Time Advantage and Combined Advantage Plans with different peak schedule(s) and tariff(s) options,

1 within six months of the effective date of this Decision.” Currently APS offers two residential
2 TOU rate schedules: Time Advantage (ET-1), which includes peak and off-peak energy charges;
3 and Combined Advantage (ECT-1R) which includes both time differentiated demand and energy
4 charges. Currently, over 357,000 APS residential customers are participating in a TOU rate,
5 which represents over 40% of total residential customers. The peak period for both rate schedules
6 is weekdays 9:00 a.m. to 9:00 p.m. in both the summer and winter seasons. In terms of
7 percentage and of total number of residential customers, APS has the most successful residential
8 TOU program in the United States. The Company’s TOU program is also one of the longest-
9 standing, having first been approved by the Commission in the 1980s.

10 11 **II. PROPOSED EXPERIMENTAL RESIDENTIAL TOU RATES**

12 As shown in the attached rate schedules, the proposed experimental ET-2 and ECT-2
13 rates are similar in design to the existing TOU rates, except that they have a shorter on-peak
14 period and higher summer on-peak energy charges. Both proposed rates have time-differentiated
15 energy charges; ECT-2 also has a demand charge applied to the peak period. The on-peak hours
16 for both rates are 12 noon to 7 p.m. for both the summer and winter seasons. In addition, six
17 holidays (New Years Day, Memorial Day, July 4th, Labor Day, Thanksgiving, and Christmas)
18 will be considered to be off-peak. The proposed ET-2 rate has a 4:1 ratio of peak to off-peak
19 prices in the summer, which is higher than the current ratio of 3:1 for the existing ET-1 rate. In
20 the winter the on-peak price is 1.5 times the off-peak price.

21 The proposed new rates are designed to be revenue neutral with the current residential
22 TOU rates, ET-1 and ECT-1R, adjusted only for the recovery of incremental implementation
23 costs as discussed below. This means that were all APS residential customers served on a TOU
24 rate schedule to opt for these new rates, APS would not expect to receive any additional revenue.
25 Of course, in practice, those customers who would switch would most likely be those who will or
26 believe they will save under these alternative TOU rates. The current TOU rates having on peak

1 hours of 9 a.m. to 9 p.m. will continue to be available. The option authorized in Decision No.
2 67744 for differing 12-hour on-peak periods would no longer serve any purpose and would be
3 replaced by this new TOU option. No APS customers currently are billed on these optional 12-
4 hour on-peak periods.

5
6 ***A. Proposed Peak Hours***

7 An assessment of the Company's summer and winter retail loads during peak days
8 indicates that shorter on-peak hours for residential TOU rates can be supported for this
9 experimental rate. The summer peak for APS' retail load typically occurs between 3:00 and 6:00
10 p.m. The load begins to ramp up at 9:00 a.m. By 12:00 p.m. the load is within 10% or 500 MW
11 of the daily retail peak. The load remains high, within 10% of the daily peak, through 8:00 p.m.
12 and falls off significantly only after 9:00 p.m. Attached as Exhibit B is a graph that depicts APS'
13 system peak day load shapes for 2004.

14 More specifically, the load from 6:00 to 7:00 p.m. is typically 95% of the daily peak; the
15 load from 7:00 to 8:00 p.m. is 91% of the daily peak. Therefore, a significant shift in load to the
16 7:00 p.m. to 9:00 p.m. period could have the potential merely to shift the system peak to this later
17 period, rather than reduce the peak as intended.

18 The winter peak hours for the new TOU rates are proposed to be the same as the summer.
19 This proposal is driven by the relatively flat winter load shape, the potential customer response,
20 and the costs and logistics of implementing winter peak hours that are different from the summer.

21 The winter peak for APS' retail load typically occurs at 7:00 to 8:00 a.m. in one of the
22 colder months (December – February). The daily load ramps up at 6:00 a.m. and falls off after
23 9:00 a.m. Afternoon usage picks up at 6:00 p.m., reaching 90% of the daily peak, and falls off
24 after 9:00 p.m. However, in some years, hot temperatures in March or April can cause daily loads
25 to rival some of the cold days in December and January. For example, in 2004, 5 of the top 10
26 "winter" peak days were in March and April. The usage patterns for these days resemble the

1 summer peak days, not the winter. In any case, winter peak demands are significantly lower than
2 summer peak demands. Typically, the winter peak is 35% or 2,000 MW lower than the summer
3 peak. Therefore, the benefit of encouraging customers to shift load to off peak periods during the
4 winter is much lower than the summer.

5 The Company believes that setting winter peak hours identical to summer peaks hours
6 has several advantages. First, it matches the daily load shapes for hot days in March and April,
7 which typically follow a summer load shape. Second, it will reduce the potential confusion for
8 customers that different peak periods could have. Additionally, customers would most likely find
9 it difficult to respond to on-peak price signals in the early morning and early evening hours. If
10 one of the motivations for these new rates is to explore peak time periods that allow customers a
11 better opportunity to shift load to off-peak periods, the morning and early evening peak periods
12 likely would not support that goal.

13 14 ***B. Implementation Strategy and Costs***

15 In order to better manage the potential customer switches to the new rates, the Company
16 proposes to initially offer the new experimental rates to customers in the Phoenix metro area only,
17 as specified in the attached rate schedules, and initially cap participation at 20,000 new customers
18 for both rates combined. This will allow for a more orderly implementation of the rates and
19 provide time for the Company to evaluate customer acceptance and identify any potential adverse
20 impacts from customers shifting their late afternoon load to the early evening hours.

21 The implementation costs for these rates include incremental metering costs, customer
22 service costs and costs related to the necessary changes to billing, customer information ("CIS")
23 and related systems.

24 The Company reviewed several metering options for implementing the proposed new
25 TOU rates. These included standard TOU meters, Interval Data Recording ("IDR") meters and
26 automatic meter reading system ("AMS"). Initially, the new rates will be implemented by

1 installing standard TOU meters programmed with the new rate and time periods and read through
2 the standard probe process. The Company's current meter reading system does not support re-
3 programming existing TOU meters in the field through the probe process.

4 While IDR meters could provide additional data for load research, the billing/register data
5 is similar to that provided by a standard TOU meter and therefore would not provide any
6 reprogramming advantages. IDR meters could be equipped with communication capability,
7 which would allow remote reading and programming, however, the monthly cell phone costs in
8 Arizona at this time would be prohibitively expensive for a general residential application.

9 AMS meters would provide the advantage of remote reading and programming, which
10 would better enable seasonable changes in on-peak hours, provide more flexibility and lower
11 costs when customers switch from one rate to another. It also has the advantage of lower
12 communication costs compared with IDR/cell phone technology. Currently, APS is piloting
13 AMS with 500 meters in the Metro Center area. An expanded rollout of AMS meters is currently
14 anticipated for 2006 and 2007.

15 The customer information system is a key driver, indeed a critical path, for implementing
16 the new rates. The proposed changes will require programming and testing of CIS and related
17 systems which all interrelate to capture metered data, ensure that the customer is on the correct
18 rate schedule with the correct meter, calculate the bill, present the bill format, allow for re-bills
19 and corrections, schedule meter and service changes, provide customer service information and
20 screens to advise customers about rate options, allow customers to assess rate options through the
21 internet, post the revenue to the general ledger, and many other functions. Most importantly, the
22 systems must be tested to ensure that the billing is accurate and that the programming changes did
23 not adversely impact any other part of the system.

24 Finally, the new TOU rates will require additional training of customer service personnel
25 as well as additional resource costs to interface with customers to answer customer inquiries,
26

1 explain the advantages of the new rates, and enroll interested customers. Therefore, the rates will
2 not be available until approximately seven months after approval by the Commission.

3 The total incremental costs including meter costs, billing and related system costs, and
4 customer service costs are estimated to be over \$1,194,880 or approximately \$60 per customer,
5 assuming 20,000 initial participants in the new rates. The Company proposes to recover these
6 incremental implementation costs through an increase to the basic service charge. The basic
7 service charges in the attached tariffs include the recovery of these costs.

8
9 **Total Incremental Costs – New TOU Rates**

20,000	Expected new participants
\$ 365,205	Incremental meter, installation and transportation costs
\$ 650,000	Billing and related systems costs -programming and testing
<u>\$ 159,675</u>	Customer service costs
\$1,194,880	Total incremental costs
\$ 59.74	Total incremental cost per customer

16
17 **Experimental TOU periods – Pilot Program**

18 In the recent rate case, APS proposed experimental time-of-use periods for residential
19 rate schedules ET-1 and ECT-1R (Settlement Agreement, Paragraph 117). The proposal was to
20 offer customers a choice of peak time periods of 7 a.m. to 7 p.m. or 8 a.m. to 8 p.m., in addition to
21 the standard peak period of 9:00 a.m. to 9:00 p.m. The pilot program would limit the option to a
22 maximum of 10,000 customers. The objective of the pilot was to learn about customer
23 preferences for and reactions to different peak time periods.

1 The Company believes that the Pilot Program is no longer necessary and would duplicate
2 efforts if the proposed experimental rate schedules ET-2 and ECT-2 are implemented. Therefore,
3 the Company intends to cancel the Pilot Program in favor of the proposed new TOU options.
4

5 **C. Summary**

6 The Company proposes to implement two new experimental residential TOU rate
7 schedules, ET-2 and ECT-2, as detailed in the attachments. Both rate schedules will have shorter
8 on-peak periods during the summer, 12 noon to 7 pm, and higher summer on-peak energy charges
9 compared with the existing TOU rates. The winter on-peak period will be the same as the
10 summer.

11 The new rate schedules will initially be available to approximately 20,000 customers
12 (total for both rates combined) in the Phoenix area as described in the rate schedules. The
13 eligibility could be changed later to make the rates available system wide. Participating
14 Customers may switch to another available residential rate during their first year of subscription.
15 However, after switching to another rate, the Customer may not return to the experimental rate for
16 a period of 1 year.

17 To the extent practical and beneficial, the implementation of the new TOU rates will be
18 coordinated with the limited introduction of automatic meter reading in 2006 and beyond.

19 The current residential TOU rate schedules, ET-1 and ECT-1R, will continue to be
20 available at this time using the standard 9 a.m. to 9 p.m. on-peak period. However, the Company
21 may elect to eliminate or freeze one or both of these rates in a future rate application.

22 The incremental implementation costs will be recovered through a higher monthly
23 charge. Based on 20,000 customers, the estimated incremental costs would be \$1,194,880 or
24 approximately \$60 per customer.

25 The necessary meter acquisition; labor acquisition and training; and system changes can
26 be completed within approximately seven months after Commission approval of the new rates.

Therefore, the Company requests that the Commission approve the attached rate schedules and that the effective date of the ET-2 and ECT-2 rate schedules be no earlier than 7 months after Commission approval.¹

For the reasons stated above, APS respectfully requests that the Commission expeditiously approve the proposed rates.

Respectfully submitted this ____th day of September, 2005.

PINNACLE WEST CAPITAL CORP.
Law Department

Thomas L. Mumaw
Karilee S. Ramaley

Attorneys for Arizona Public Service Company

¹ If the necessary implementation work is completed before 7 months, the Company will resubmit the rate schedules with an updated effective date.

1 **ORIGINAL and 13 copies of the foregoing**
2 filed this _____ day of September 2005, with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington
6 Phoenix, AZ 85007

7 A COPY of the foregoing was hand-delivered
8 this _____ day of September , 2005, to:

9 Lyn Farmer
10 Chief Administrative Law Judge
11 Hearing Division
12 ARIZONA CORPORATION COMMISSION
13 1200 West Washington
14 Phoenix, Arizona 85007

15 Christopher C. Kempley, Chief Counsel
16 Legal Division
17 ARIZONA CORPORATION COMMISSION
18 1200 West Washington Street
19 Phoenix, Arizona 85007

20 Ernest G. Johnson, Director
21 Utilities Division
22 ARIZONA CORPORATION COMMISSION
23 1200 West Washington Street
24 Phoenix, Arizona 85007

25 _____
26 Vicki DiCola

Exhibit A

RATE SCHEDULE ET-2
EXPERIMENTAL RESIDENTIAL SERVICE TIME-OF-USE
TIME ADVANTAGE 7PM-NOON

AVAILABILITY

This rate schedule is available to residential customers in the Company's Eligible Area, at all points where facilities of adequate capacity and the required phase and suitable voltage are adjacent to the sites served. Availability for rates ET-2 and ECT-2 is limited to 20,000 customers for both rates combined, subject to meter availability and work schedule constraints. This rate is experimental and is subject to change or cancellation by the Company with 30 days written notice to the customer.

A customer participating in this rate may switch to another available residential rate during their first year of subscription or anytime thereafter. However, after switching to another rate, the customer may not return to this rate for a period of 1 year. Eligible customers that have switched between other residential rates within the 12 months prior to implementation of this experimental rate may subscribe to this rate before the 1-year minimum stay is completed.

The Eligible Area shall include the following cities: Phoenix, Scottsdale, Glendale, Surprise, Peoria, Sun City, Sun City West, Goodyear, El Mirage, Buckeye, Tempe, Chandler, Litchfield Park, Avondale, Paradise Valley, Gilbert, New River, Carefree and Cave Creek. An eligible customer must reside within the taxing authority of the eligible city.

APPLICATION

This rate schedule is applicable to all Standard Offer and Direct Access electric service required for residential purposes in individual private dwellings and in individually metered apartments when such service is supplied at one site through one point of delivery and measured through one meter.

Rate selection is subject to paragraphs 3.2 through 3.5 of the Company's Schedule 1, Terms and Conditions for Standard Offer and Direct Access Services, and this rate schedule will become effective only after the Company has installed the required timed kilowatthour meter.

This schedule is not applicable to breakdown, standby, supplemental or resale service.

TYPE OF SERVICE

The type of service provided under this schedule will be single phase, 60 Hertz, at a single standard voltage (120/240 or 120/208 as may be selected by customer subject to availability at the customer's site). Three phase service may be furnished under the Company's Schedule 3 (Conditions Governing Extensions of Electric Distribution Lines and Services).

RATES

The customer's bill shall be computed at the following rates, plus any adjustments incorporated in this schedule:

Bundled Standard Offer Service

Basic Service Charge: \$ 0.548 per day



RATE SCHEDULE ET-2
EXPERIMENTAL RESIDENTIAL SERVICE TIME-OF-USE
TIME ADVANTAGE 7PM-NOON

RATES (cont)

Bundled Standard Offer Service (cont)

Energy Charge:

May – October Billing Cycles (Summer)	November – April Billing Cycles (Winter)
\$ 0.18200 per kWh during On-Peak hours, plus \$ 0.04519 per kWh during Off-Peak hours	\$0.08703 per kWh during On-Peak hours, plus \$0.05783 per kWh during Off-Peak hours

Bundled Standard Offer Service consists of the following Unbundled Components:

Unbundled Components

Basic Service Charge:	\$ 0.211	per day
Revenue Cycle Service Charges:		
Metering	\$ 0.165	per day
Meter Reading	\$ 0.055	per day
Billing	\$ 0.062	per day
System Benefits Charge:	\$ 0.00213	per kWh
Transmission Charge:	\$ 0.00476	per kWh
Delivery Charge:	\$ 0.02094	per kWh

Generation Charge:

May – October Billing Cycles (Summer)	November – April Billing Cycles (Winter)
\$0.15417 per kWh during On-Peak hours, plus \$0.01736 per kWh during Off-Peak hours	\$0.05920 per kWh during On-Peak hours, plus \$0.0300 per kWh during Off-Peak hours

DIRECT ACCESS

The bill for Direct Access customers will consist of the Unbundled Components Basic Service Charge, the System Benefits Charge, and the Delivery Charge, plus any applicable adjustments incorporated in this schedule. Direct Access customers must acquire and pay for generation, transmission, and revenue cycle services from a competitive third party supplier. If any revenue cycle services are not available from a third party supplier and must be obtained from the Company, the Unbundled Components Revenue Cycle Service Charges will be applied to the customer's bill.



**RATE SCHEDULE ET-2
EXPERIMENTAL RESIDENTIAL SERVICE TIME-OF-USE
TIME ADVANTAGE 7PM-NOON**

TIME PERIODS

The On-Peak time period for this rate schedule is 12 noon to 7 p.m. Monday through Friday excluding the holidays listed below. All hours not included in the On-Peak time period shall be Off-Peak hours.

The following holidays are Off-Peak: New Year's Day (January 1), Memorial Day (last Monday in May), Independence Day (July 4), Labor Day (first Monday in September), Thanksgiving Day (fourth Thursday in November), and Christmas (December 25). When any holiday listed above falls on a Saturday, the preceding Friday will be recognized as an off-peak period. When any holiday listed above falls on a Sunday, the following Monday will be recognized as an off-peak period. Mountain Standard Time shall be used in the application of this rate schedule.

ADJUSTMENTS

1. The Environmental Portfolio Surcharge shall be applied to every retail electric service as set forth in the Company's Rate Schedule EPS-1.
2. The bill is subject to the Power Supply Adjustment factor as set forth in the Company's Rate Schedule PSA-1 pursuant to Arizona Corporation Commission Decision No. 67744.
3. The bill is subject to the Transmission Cost Adjustment factor as set forth in the Company's Rate Schedule TCA-1 pursuant to Arizona Corporation Commission Decision No. 67744.
4. The bill is subject to the Competition Rules Compliance Charge as set forth in the Company's Rate Schedule CRCC-1 pursuant to Arizona Corporation Commission Decision No. 67744.
5. Direct Access Customers returning to Standard Offer service may be subject to a Returning Customer Direct Access Charge as set forth in the Company's Rate Schedule RCDAC-1 pursuant to Arizona Corporation Commission Decision No. 67744.
6. The bill is subject to the Demand Side Management Adjustment charge as set forth in the Company's Rate Schedule DSMAC-1 pursuant to Arizona Corporation Commission Decision No. 67744.
7. The bill is subject to the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of APS and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

CONTRACT PERIOD

Any applicable contract period will be set forth in APS' standard agreement for service.

TERMS AND CONDITIONS

Service under this rate schedule is subject to the Company's Schedule 1, Terms and Conditions for Standard Offer and Direct Access Services and the Company's Schedule 10, Terms and Conditions for Direct Access. These schedules have provisions that may affect the customer's bill. In addition, service may be subject to special terms and conditions as provided for in a customer contract or service agreement.



**RATE SCHEDULE ECT-2
EXPERIMENTAL RESIDENTIAL SERVICE
TIME-OF-USE WITH DEMAND CHARGE
COMBINED ADV 7PM-NOON**

AVAILABILITY

This rate schedule is available to residential customers in the Company's Eligible Area, at all points where facilities of adequate capacity and the required phase and suitable voltage are adjacent to the sites served. Availability for rates ET-2 and ECT-2 is limited to 20,000 customers for both rates combined, subject to meter availability and work schedule constraints. This rate is experimental and is subject to change or cancellation by the Company with 30 days written notice to the customer.

A customer participating in this rate may switch to another available residential rate during their first year of subscription or anytime thereafter. However, after switching to another rate, the customer may not return to this rate for a period of 1 year. Eligible customers that have switched between other residential rates within the 12 months prior to implementation of this experimental rate may subscribe to this rate before the 1-year minimum stay is completed.

The Eligible Area shall include the following cities: Phoenix, Scottsdale, Glendale, Surprise, Peoria, Sun City, Sun City West, Goodyear, El Mirage, Buckeye, Tempe, Chandler, Litchfield Park, Avondale, Paradise Valley, Gilbert, New River, Carefree and Cave Creek. An eligible customer must reside within the taxing authority of the eligible city.

APPLICATION

This rate schedule is applicable to all Standard Offer and Direct Access electric service, except as stated below, required for residential purposes in individual private dwellings and in individually metered apartments when such service is supplied at one site through one point of delivery and measured through one meter.

Rate selection is subject to paragraphs 3.2 through 3.5 of the Company's Schedule 1, Terms and Conditions for Standard Offer and Direct Access Services, and this rate schedule will become effective only after the Company has installed the required timed kilowatt/kilowatthour meter.

This schedule is not applicable to breakdown, standby, supplemental or resale service.

TYPE OF SERVICE

The type of service provided under this schedule will be single phase, 60 Hertz, at a single standard voltage (120/240 or 120/208 as may be selected by customer subject to availability at the customer's site). Three phase service may be furnished under the Company's Schedule 3 (Conditions Governing Extensions of Electric Distribution Lines and Services).

RATES

The customer's bill shall be computed at the following rates, plus any adjustments incorporated in this schedule:

Bundled Standard Offer Service

Basic Service Charge: \$ 0.548 per day



**RATE SCHEDULE ECT-2
EXPERIMENTAL RESIDENTIAL SERVICE
TIME-OF-USE WITH DEMAND CHARGE
COMBINED ADV 7PM-NOON**

RATES (cont)

Bundled Standard Offer Service (cont)

Demand Charge:

May – October Billing Cycles (Summer)	November – April Billing Cycles (Winter)
\$11.81 per On-Peak kW	\$8.11 per On-Peak kW

Energy Charge:

May – October Billing Cycles (Summer)	November – April Billing Cycles (Winter)
\$0.05690 per kWh during On-Peak hours, plus \$0.02792 per kWh during Off-Peak hours	\$0.03730 per kWh during On-Peak hours, plus \$0.02733 per kWh during Off-Peak hours

Bundled Standard Offer Service consists of the following Unbundled Components:

Unbundled Components

Basic Service Charge:	\$ 0.208	per day
Revenue Cycle Service Charges:		
Metering	\$ 0.168	per day
Meter Reading	\$ 0.055	per day
Billing	\$ 0.062	per day
System Benefits Charge:	\$ 0.00213	per kWh
Transmission Charge:	\$ 0.00476	per kWh

Delivery Charge:

May – October Billing Cycles (Summer)	November – April Billing Cycles (Winter)
\$3.38 per On-Peak kW, plus \$0.00963 per kWh	\$1.85 per On-Peak kW, plus \$0.01344 per kWh

Generation Charge:

May – October Billing Cycles (Summer)	November – April Billing Cycles (Winter)
\$8.43 per On-Peak kW, plus \$0.04038 per kWh during On-Peak hours, plus \$0.01140 per kWh during Off-Peak hours	\$6.26 per On-Peak kW, plus \$0.01697 per kWh during On-Peak hours, plus \$0.00700 per kWh during Off-Peak hours



**RATE SCHEDULE ECT-2
EXPERIMENTAL RESIDENTIAL SERVICE
TIME-OF-USE WITH DEMAND CHARGE
COMBINED ADV 7PM-NOON**

DIRECT ACCESS

The bill for Direct Access customers will consist of the Unbundled Components Basic Service Charge, the System Benefits Charge, and the Delivery Charge, plus any applicable adjustments incorporated in this schedule. Direct Access customers must acquire and pay for generation, transmission, and revenue cycle services from a competitive third party supplier. If any revenue cycle services are not available from a third party supplier and must be obtained from the Company, the Unbundled Components Revenue Cycle Service Charges will be applied to the customer's bill.

TIME PERIODS

The On-Peak time period for this rate schedule is 12 noon to 7 p.m. Monday through Friday excluding the holidays listed below. All hours not included in the On-Peak time period shall be Off-Peak hours.

The following holidays are Off-Peak: New Year's Day (January 1), Memorial Day (last Monday in May), Independence Day (July 4), Labor Day (first Monday in September), Thanksgiving Day (fourth Thursday in November), and Christmas (December 25). When any holiday listed above falls on a Saturday, the preceding Friday will be recognized as an off-peak period. When any holiday listed above falls on a Sunday, the following Monday will be recognized as an off-peak period.

Mountain Standard Time shall be used in the application of this rate schedule.

DETERMINATION OF KW

For billing purposes, the kW used in this rate schedule shall be based on the average kW supplied during the 60-minute period of maximum use during the customer's On-Peak hours, as determined from readings of the Company's meter.

ADJUSTMENTS

1. The Environmental Portfolio Surcharge shall be applied to every retail electric service as set forth in the Company's Rate Schedule EPS-1.
2. The bill is subject to the Power Supply Adjustment factor as set forth in the Company's Rate Schedule PSA-1 pursuant to Arizona Corporation Commission Decision No. 67744.
3. The bill is subject to the Transmission Cost Adjustment factor as set forth in the Company's Rate Schedule TCA-1 pursuant to Arizona Corporation Commission Decision No. 67744.
4. The bill is subject to the Competition Rules Compliance Charge as set forth in the Company's Rate Schedule CRCC-1 pursuant to Arizona Corporation Commission Decision No. 67744.
5. Direct Access Customers returning to Standard Offer service may be subject to a Returning Customer Direct Access Charge as set forth in the Company's Rate Schedule RCDAC-1 pursuant to Arizona Corporation Commission Decision No. 67744.
6. The bill is subject to the Demand Side Management Adjustment charge as set forth in the Company's Rate Schedule DSMAC-1 pursuant to Arizona Corporation Commission Decision No. 67744.
7. The bill is subject to the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of APS and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.



**RATE SCHEDULE ECT-2
EXPERIMENTAL RESIDENTIAL SERVICE
TIME-OF-USE WITH DEMAND CHARGE
COMBINED ADV 7PM-NOON**

CONTRACT PERIOD

Any applicable contract period will be set forth in APS' standard agreement for service.

TERMS AND CONDITIONS

Service under this rate schedule is subject to the Company's Schedule 1, Terms and Conditions for Standard Offer and Direct Access Services and the Company's Schedule 10, Terms and Conditions for Direct Access. These schedules have provisions that may affect the customer's bill. In addition, service may be subject to special terms and conditions as provided for in a customer contract or service agreement.



RATE SCHEDULE ET-1
RESIDENTIAL SERVICE TIME-OF-USE
TIME ADVANTAGE RATE

AVAILABILITY

This rate schedule is available in all territory served by the Company at all points where facilities of adequate capacity and the required phase and suitable voltage are adjacent to the sites served.

APPLICATION

This rate schedule is applicable to all Standard Offer and Direct Access electric service required for residential purposes in individual private dwellings and in individually metered apartments when such service is supplied at one site through one point of delivery and measured through one meter.

Rate selection is subject to paragraphs 3.2 through 3.5 of the Company's Schedule 1, Terms and Conditions for Standard Offer and Direct Access Services, and this rate schedule will become effective only after the Company has installed the required timed kilowatthour meter.

This schedule is not applicable to breakdown, standby, supplemental or resale service.

TYPE OF SERVICE

The type of service provided under this schedule will be single phase, 60 Hertz, at a single standard voltage (120/240 or 120/208 as may be selected by customer subject to availability at the customer's site). Three phase service may be furnished under the Company's Schedule 3 (Conditions Governing Extensions of Electric Distribution Lines and Services), and is required for motors of an individual rated capacity of 7-1/2 HP or more.

RATES

The customer's bill shall be computed at the following rates, plus any adjustments incorporated in this schedule:

Bundled Standard Offer Service

Basic Service Charge: \$ 0.493 per day

Energy Charge:

May – October Billing Cycles (Summer)	November – April Billing Cycles (Winter)
\$ 0.13310 per kWh during On-Peak hours, plus \$ 0.04299 per kWh during Off-Peak hours	\$0.10918 per kWh during On-Peak hours, plus \$0.04167 per kWh during Off-Peak hours

Bundled Standard Offer Service consists of the following Unbundled Components:

Unbundled Components

Basic Service Charge: \$ 0.211 per day



**RATE SCHEDULE ET-1
RESIDENTIAL SERVICE TIME-OF-USE
TIME ADVANTAGE RATE**

RATES (cont)

Unbundled Components (cont)

Revenue Cycle Service Charges:

Metering \$ 0.165 per day

Meter Reading \$ 0.055 per day

Billing \$ 0.062 per day

System Benefits Charge: \$ 0.00213 per kWh

Transmission Charge: \$ 0.00476 per kWh

Delivery Charge: \$ 0.02094 per kWh

Generation Charge:

May – October Billing Cycles (Summer)	November – April Billing Cycles (Winter)
\$0.10527 per kWh during On-Peak hours, plus \$0.01516 per kWh during Off-Peak hours	\$0.08135 per kWh during On-Peak hours, plus \$0.01384 per kWh during Off-Peak hours

DIRECT ACCESS

The bill for Direct Access customers will consist of the Unbundled Components Basic Service Charge, the System Benefits Charge, and the Delivery Charge, plus any applicable adjustments incorporated in this schedule. Direct Access customers must acquire and pay for generation, transmission, and revenue cycle services from a competitive third party supplier. If any revenue cycle services are not available from a third party supplier and must be obtained from the Company, the Unbundled Components Revenue Cycle Service Charges will be applied to the customer's bill.

TIME PERIODS

The standard Company On-Peak time period for residential rate schedules is 9 a.m. to 9 p.m. Monday through Friday. All hours not included in the On-Peak time period shall be Off-Peak hours.

Mountain Standard Time shall be used in the application of this rate schedule.



**RATE SCHEDULE ET-1
RESIDENTIAL SERVICE TIME-OF-USE
TIME ADVANTAGE RATE**

ADJUSTMENTS

1. The Environmental Portfolio Surcharge shall be applied to every retail electric service as set forth in the Company's Rate Schedule EPS-1.
2. The bill is subject to the Power Supply Adjustment factor as set forth in the Company's Rate Schedule PSA-1 pursuant to Arizona Corporation Commission Decision No. 67744.
3. The bill is subject to the Transmission Cost Adjustment factor as set forth in the Company's Rate Schedule TCA-1 pursuant to Arizona Corporation Commission Decision No. 67744.
4. The bill is subject to the Competition Rules Compliance Charge as set forth in the Company's Rate Schedule CRCC-1 pursuant to Arizona Corporation Commission Decision No. 67744.
5. Direct Access Customers returning to Standard Offer service may be subject to a Returning Customer Direct Access Charge as set forth in the Company's Rate Schedule RCDAC-1 pursuant to Arizona Corporation Commission Decision No. 67744.
6. The bill is subject to the Demand Side Management Adjustment charge as set forth in the Company's Rate Schedule DSMAC-1 pursuant to Arizona Corporation Commission Decision No. 67744.
7. The bill is subject to the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of APS and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

CONTRACT PERIOD

Any applicable contract period will be set forth in APS' standard agreement for service.

TERMS AND CONDITIONS

Service under this rate schedule is subject to the Company's Schedule 1, Terms and Conditions for Standard Offer and Direct Access Services and the Company's Schedule 10, Terms and Conditions for Direct Access. These schedules have provisions that may affect the customer's bill. In addition, service may be subject to special terms and conditions as provided for in a customer contract or service agreement.



**RATE SCHEDULE ECT-1R
RESIDENTIAL SERVICE
TIME-OF-USE WITH DEMAND CHARGE
COMBINED ADVANTAGE RATE**

AVAILABILITY

This rate schedule is available in all territory served by the Company at all points where facilities of adequate capacity and the required phase and suitable voltage are adjacent to the sites served.

APPLICATION

This rate schedule is applicable to all Standard Offer and Direct Access electric service, except as stated below, required for residential purposes in individual private dwellings and in individually metered apartments when such service is supplied at one site through one point of delivery and measured through one meter.

Rate selection is subject to paragraphs 3.2 through 3.5 of the Company's Schedule 1, Terms and Conditions for Standard Offer and Direct Access Services, and this rate schedule will become effective only after the Company has installed the required timed kilowatt/kilowatthour meter.

This schedule is not applicable to breakdown, standby, supplemental or resale service.

TYPE OF SERVICE

The type of service provided under this schedule will be single phase, 60 Hertz, at a single standard voltage (120/240 or 120/208 as may be selected by customer subject to availability at the customer's site). Three phase service may be furnished under the Company's Schedule 3 (Conditions Governing Extensions of Electric Distribution Lines and Services), and is required for motors of an individual rated capacity of 7-1/2 HP or more.

RATES

The customer's bill shall be computed at the following rates, plus any adjustments incorporated in this schedule:

Bundled Standard Offer Service

Basic Service Charge: \$ 0.493 per day

Demand Charge:

May – October Billing Cycles (Summer)	November – April Billing Cycles (Winter)
\$11.81 per On-Peak kW	\$8.11 per On-Peak kW

Energy Charge:

May – October Billing Cycles (Summer)	November – April Billing Cycles (Winter)
\$ 0.04765 per kWh during On-Peak hours, plus \$ 0.02672 per kWh during Off-Peak hours	\$0.03641 per kWh during On-Peak hours, plus \$0.02570 per kWh during Off-Peak hours

ARIZONA PUBLIC SERVICE COMPANY
Phoenix, Arizona
Filed by: David J. Rumolo
Title: Manager, Regulation and Pricing
Original Effective Date: December 1, 1988

A.C.C. No. 5630
Canceling A.C.C. No. 5572
Rate Schedule ECT-1R
Revision No. 16
Effective: XXXXX



**RATE SCHEDULE ECT-1R
RESIDENTIAL SERVICE
TIME-OF-USE WITH DEMAND CHARGE
COMBINED ADVANTAGE RATE**

RATES (cont)

Bundled Standard Offer Service consists of the following Unbundled Components:

Unbundled Components

Basic Service Charge: \$ 0.208 per day

Revenue Cycle Service Charges:

Metering \$ 0.168 per day

Meter Reading \$ 0.055 per day

Billing \$ 0.062 per day

System Benefits Charge: \$ 0.00213 per kWh

Transmission Charge: \$ 0.00476 per kWh

Delivery Charge:

May – October Billing Cycles (Summer)	November – April Billing Cycles (Winter)
\$3.38 per On-Peak kW, plus \$0.00963 per kWh	\$1.85 per On-Peak kW, plus \$0.01344 per kWh

Generation Charge:

May – October Billing Cycles (Summer)	November – April Billing Cycles (Winter)
\$8.43 per On-Peak kW, plus \$0.03113 per kWh during On-Peak hours, plus \$0.01020 per kWh during Off-Peak hours	\$6.26 per On-Peak kW, plus \$0.01608 per kWh during On-Peak hours, plus \$0.00537 per kWh during Off-Peak hours

DIRECT ACCESS

The bill for Direct Access customers will consist of the Unbundled Components Basic Service Charge, the System Benefits Charge, and the Delivery Charge, plus any applicable adjustments incorporated in this schedule. Direct Access customers must acquire and pay for generation, transmission, and revenue cycle services from a competitive third party supplier. If any revenue cycle services are not available from a third party supplier and must be obtained from the Company, the Unbundled Components Revenue Cycle Service Charges will be applied to the customer's bill.

TIME PERIODS

The standard Company On-Peak time period for residential rate schedules is 9 a.m. to 9 p.m. Monday through Friday. All hours not included in the On-Peak time period shall be Off-Peak hours.

Mountain Standard Time shall be used in the application of this rate schedule.

ARIZONA PUBLIC SERVICE COMPANY
Phoenix, Arizona
Filed by: David J. Rumolo
Title: Manager, Regulation and Pricing
Original Effective Date: December 1, 1988

A.C.C. No. 5630
Canceling A.C.C. No. 5572
Rate Schedule ECT-1R
Revision No. 16
Effective: XXXXX



**RATE SCHEDULE ECT-1R
RESIDENTIAL SERVICE
TIME-OF-USE WITH DEMAND CHARGE
COMBINED ADVANTAGE RATE**

DETERMINATION OF KW

For billing purposes, the kW used in this rate schedule shall be based on the average kW supplied during the 60-minute period of maximum use during the customer's chosen On-Peak hours, as determined from readings of the Company's meter.

ADJUSTMENTS

1. The Environmental Portfolio Surcharge shall be applied to every retail electric service as set forth in the Company's Rate Schedule EPS-1.
2. The bill is subject to the Power Supply Adjustment factor as set forth in the Company's Rate Schedule PSA-1 pursuant to Arizona Corporation Commission Decision No. 67744.
3. The bill is subject to the Transmission Cost Adjustment factor as set forth in the Company's Rate Schedule TCA-1 pursuant to Arizona Corporation Commission Decision No. 67744.
4. The bill is subject to the Competition Rules Compliance Charge as set forth in the Company's Rate Schedule CRCC-1 pursuant to Arizona Corporation Commission Decision No. 67744.
5. Direct Access Customers returning to Standard Offer service may be subject to a Returning Customer Direct Access Charge as set forth in the Company's Rate Schedule RCDAC-1 pursuant to Arizona Corporation Commission Decision No. 67744.
6. The bill is subject to the Demand Side Management Adjustment charge as set forth in the Company's Rate Schedule DSMAC-1 pursuant to Arizona Corporation Commission Decision No. 67744.
7. The bill is subject to the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of APS and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

CONTRACT PERIOD

Any applicable contract period will be set forth in APS' standard agreement for service.

TERMS AND CONDITIONS

Service under this rate schedule is subject to the Company's Schedule 1, Terms and Conditions for Standard Offer and Direct Access Services and the Company's Schedule 10, Terms and Conditions for Direct Access. These schedules have provisions that may affect the customer's bill. In addition, service may be subject to special terms and conditions as provided for in a customer contract or service agreement.

Exhibit B

APS Summer and Winter System Peak-Day Load Shapes - 2004

Hourly Demand in MW

